

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Spring Arbor Township	County Jackson
Audit Date March 31, 2005	Opinion Date July 1, 2005	Date Accountant Report Submitted to State: October 13, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

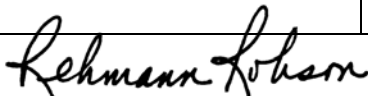
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			



**Jackson County, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended  
March 31, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

# SPRING ARBOR TOWNSHIP

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT**

July 1, 2005

Board of Trustees  
Township of Spring Arbor  
Spring Arbor, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Spring Arbor Township, Michigan***, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spring Arbor Township, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and each major special revenue fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV.C., the Township adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37 and 38 and GASB Interpretation 6 as of and for the year ended March 31, 2005. This results in a change in the format and content of the basic financial statements.

The Township has elected not to present Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Spring Arbor Township's basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Spring Arbor Township**  
**Statement of Net Assets**  
**March 31, 2005**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 365,702	\$ 112,389	\$ 478,091
Investments	254,713	1,385,842	1,640,555
Receivables, net	97,286	20,828	118,114
Capital assets not being depreciated	431,846	39,098	470,944
Capital assets being depreciated, net	2,509,099	4,266,864	6,775,963
	<u>3,658,646</u>	<u>5,825,021</u>	<u>9,483,667</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	1,608	45,638	47,246
Long-term liabilities:			
Due in one year	2,996	-	2,996
Due in more than one year	56,904	-	56,904
	<u>61,508</u>	<u>45,638</u>	<u>107,146</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,881,045	4,305,962	7,187,007
Restricted for:			
System replacement and improvements	-	1,225,842	1,225,842
Endowment	13,880	-	13,880
Other purposes	318,412	-	318,412
Unrestricted	383,801	247,579	631,380
	<u>\$ 3,597,138</u>	<u>\$ 5,779,383</u>	<u>\$ 9,376,521</u>

The accompanying notes are an integral part of these financial statements.



**Spring Arbor Township**  
**Statement of Activities**  
**For the Year Ended March 31, 2005**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Primary government</b>				
Governmental activities:				
Legislative	\$ 44,744	\$ -	\$ -	\$ (44,744)
General government	360,283	67,937	38,842	(253,504)
Public safety	546,491	81,809	7,926	(456,756)
Public works	91,708	24,498	4,749	(62,461)
Recreation and culture	59,290	5,115	211	(53,964)
Total governmental activities	1,102,516	179,359	51,728	(871,429)
Business-type activities:				
Sewer	654,548	451,697	94,862	(107,989)
Water	222,126	173,760	100,768	52,402
Total business-type activities	876,674	625,457	195,630	(55,587)
Total primary government	\$ 1,979,190	\$ 804,816	\$ 247,358	(927,016)

continued...

**Spring Arbor Township**  
**Statement of Activities (Concluded)**  
**For the Year Ended March 31, 2005**

<b>Functions/Programs</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Changes in net assets</b>			
Net (expense) revenue	\$ (871,429)	\$ (55,587)	\$ (927,016)
General revenues:			
Property taxes	347,727	-	347,727
State shared revenue	535,348	-	535,348
Unrestricted investment earnings	3,275	-	3,275
Contributions to permanent funds	2,125	-	2,125
Total general revenues and contributions	888,475	-	888,475
Change in net assets	17,046	(55,587)	(38,541)
Net assets, beginning of year, as restated	3,580,092	5,834,970	9,415,062
<b>Net assets, end of year</b>	<b>\$ 3,597,138</b>	<b>\$ 5,779,383</b>	<b>\$ 9,376,521</b>

The accompanying notes are an integral part of these financial statements.

# **FUND FINANCIAL STATEMENTS**

**Spring Arbor Township  
Balance Sheet  
Governmental Funds  
March 31, 2005**

	<b>General</b>	<b>Fire Millage</b>	<b>Public Improvement</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total</b>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 193,908	\$ 107,616	\$ -	\$ 64,178	\$ 365,702
Investments	19,042	136,633	85,812	13,226	254,713
Taxes receivable	7,398	8,659	-	-	16,057
Special assessments receivable	-	-	-	1,980	1,980
Due from other governments	79,249	-	-	-	79,249
<b><u>TOTAL ASSETS</u></b>	<b>\$ 299,597</b>	<b>\$ 252,908</b>	<b>\$ 85,812</b>	<b>\$ 79,384</b>	<b>\$ 717,701</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,108	\$ -	\$ -	\$ -	\$ 1,108
Deposits payable	500	-	-	-	500
<b>Total liabilities</b>	<b>1,608</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,608</b>
<b>Fund balances</b>					
Unreserved, undesignated	297,989	252,908	85,812	-	636,709
Unreserved, undesignated - reported in nonmajor:					
Special revenue funds	-	-	-	65,504	65,504
Permanent fund	-	-	-	13,880	13,880
<b>Total fund balances</b>	<b>297,989</b>	<b>252,908</b>	<b>85,812</b>	<b>79,384</b>	<b>716,093</b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 299,597</b>	<b>\$ 252,908</b>	<b>\$ 85,812</b>	<b>\$ 79,384</b>	<b>\$ 717,701</b>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**March 31, 2005**

Fund balances - total governmental funds	\$ 716,093
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	4,453,595
Deduct: accumulated depreciation	(1,512,650)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: installment purchase contract payable	<u>(59,900)</u>
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Net assets of governmental activities	<u><u>\$ 3,597,138</u></u>
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The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended March 31, 2005**

	<b>General</b>	<b>Fire Millage</b>	<b>Public Improvement</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Revenue</b>					
Taxes	\$ 142,063	\$ 166,283	\$ -	\$ -	\$ 308,346
Special assessments	-	-	-	39,381	39,381
Licenses and permits	1,924	-	-	80,189	82,113
State shared revenue	535,348	-	-	-	535,348
Contributions	-	-	-	2,125	2,125
Interest and other revenue	139,668	7,676	4,749	156	152,249
<b>Total revenue</b>	<b>819,003</b>	<b>173,959</b>	<b>4,749</b>	<b>121,851</b>	<b>1,119,562</b>
<b>Expenditures</b>					
Current:					
Legislative	43,197	-	-	-	43,197
General government	317,391	-	-	-	317,391
Public safety	217,310	191,095	-	68,267	476,672
Public works	652	-	-	38,984	39,636
Recreation and culture	43,771	-	-	671	44,442
Capital outlay	-	8,002	153,305	-	161,307
<b>Total expenditures</b>	<b>622,321</b>	<b>199,097</b>	<b>153,305</b>	<b>107,922</b>	<b>1,082,645</b>
<b>Revenue over (under) expenditures</b>	<b>196,682</b>	<b>(25,138)</b>	<b>(148,556)</b>	<b>13,929</b>	<b>36,917</b>
<b>Other financing sources (uses)</b>					
Issuance of long-term debt	-	-	59,900	-	59,900
Transfers in	-	201,554	41,752	-	243,306
Transfers (out)	(243,306)	-	-	-	(243,306)
<b>Total other financing sources (uses)</b>	<b>(243,306)</b>	<b>201,554</b>	<b>101,652</b>	<b>-</b>	<b>59,900</b>
<b>Net change in fund balances</b>	<b>(46,624)</b>	<b>176,416</b>	<b>(46,904)</b>	<b>13,929</b>	<b>96,817</b>
Fund balances, beginning of year, as restated	344,613	76,492	132,716	65,455	619,276
<b>Fund balances, end of year</b>	<b>\$ 297,989</b>	<b>\$ 252,908</b>	<b>\$ 85,812</b>	<b>\$ 79,384</b>	<b>\$ 716,093</b>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended March 31, 2005**

Net change in fund balances - total governmental funds	\$ 96,817
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	119,002
Deduct: depreciation expense	(138,873)

Long-term debt proceeds provide current financial resources to governmental funds in the period issued, but issuing long-term debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct: issuance of long-term debt	<u>(59,900)</u>
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Change in net assets of governmental activities	<u><u>\$ 17,046</u></u>
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The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Statement of Revenue, Expenditures, and Changes**  
**in Fund Balance - Amended Budget and Actual**  
**General Fund**  
**For the Year Ended March 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue</b>				
Taxes:				
Current property taxes	\$ 126,000	\$ 134,500	\$ 134,529	\$ 29
Delinquent property taxes	8,000	8,000	7,382	(618)
Unpaid personal property taxes	200	200	152	(48)
Total taxes	<u>134,200</u>	<u>142,700</u>	<u>142,063</u>	<u>(637)</u>
Special assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Licenses and permits:				
Business licenses	300	300	365	65
Trailer permits	1,800	1,800	1,549	(251)
Other permits	-	-	10	10
Total licenses and permits	<u>2,100</u>	<u>2,100</u>	<u>1,924</u>	<u>(176)</u>
State shared revenue:				
M-60 Task Force grant	2,500	2,500	1,616	(884)
Liquor licenses	1,800	1,800	631	(1,169)
Sales tax	516,000	520,350	533,101	12,751
Total state shared revenue	<u>520,300</u>	<u>524,650</u>	<u>535,348</u>	<u>10,698</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other revenue:				
Service fees	13,500	13,500	14,265	765
Tax collection service fees	10,000	10,000	10,297	297
Rental fees	500	500	80	(420)
Land division fees	1,200	1,200	1,620	420
Administrative charges:				
Sewer	13,000	13,000	15,421	2,421
Water	7,000	7,000	8,948	1,948
Private road maintenance	200	200	129	(71)
Cemetery foundations	4,500	4,500	3,195	(1,305)
Grave openings	12,500	12,500	11,655	(845)
Cemetery lot sales	3,000	3,000	5,000	2,000
Park user fees	400	400	50	(350)
Senior Center user fees	5,000	5,000	5,065	65
Parking fines	200	200	-	(200)
Fines and forfeits	10,000	10,000	10,721	721
Property rental	10,800	10,800	10,800	-
Cable TV royalties	24,000	24,000	26,923	2,923
Reimbursements	7,000	7,000	7,277	277
Interest and other revenue	6,000	6,000	8,222	2,222
Total other revenue	<u>128,800</u>	<u>128,800</u>	<u>139,668</u>	<u>10,868</u>
Total revenue	<u>785,400</u>	<u>798,250</u>	<u>819,003</u>	<u>20,753</u>

Continued...



**Spring Arbor Township**  
**Statement of Revenue, Expenditures, and Changes**  
**in Fund Balance - Amended Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended March 31, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Expenditures</b>				
Legislative	\$ 36,550	\$ 47,450	\$ 43,197	\$ (4,253)
General Government:				
Township Supervisor	63,937	65,137	61,625	(3,512)
Elections	13,350	13,350	13,218	(132)
Assessor	60,582	49,382	44,582	(4,800)
Township Clerk	58,307	63,407	61,460	(1,947)
General Office	19,500	19,100	18,674	(426)
Board of Review	1,700	2,000	1,906	(94)
Treasurer	59,332	59,332	54,908	(4,424)
Township Hall	12,175	12,175	12,951	776
Post Office	3,025	2,725	1,178	(1,547)
Maintenance Building	1,200	2,600	2,492	(108)
Township Property	13,350	13,350	11,506	(1,844)
Cemetery	31,920	34,270	32,891	(1,379)
Total general government	<u>338,378</u>	<u>336,828</u>	<u>317,391</u>	<u>(19,437)</u>
Public Safety:				
Police	178,150	178,150	170,261	(7,889)
Communications	5,600	1,400	585	(815)
Planning Commission	40,725	47,725	45,344	(2,381)
Zoning Board of Appeals	2,150	1,150	820	(330)
Township Street Lights	300	300	300	-
Total public safety	<u>226,925</u>	<u>228,725</u>	<u>217,310</u>	<u>(11,415)</u>
Public Works:				
Streets and Roads	800	800	652	(148)
Private Streets and Roads	200	200	-	(200)
Total public works	<u>1,000</u>	<u>1,000</u>	<u>652</u>	<u>(348)</u>
Recreational and Cultural:				
Gallagher Park	16,582	16,582	16,087	(495)
Historical Committee	4,200	4,200	4,413	213
Senior Center	25,950	24,950	23,271	(1,679)
Total recreational and cultural	<u>46,732</u>	<u>45,732</u>	<u>43,771</u>	<u>(1,961)</u>
Total expenditures	<u>649,585</u>	<u>659,735</u>	<u>622,321</u>	<u>(37,414)</u>
Revenue over expenditures	<u>135,815</u>	<u>138,515</u>	<u>196,682</u>	<u>58,167</u>
<b>Other financing uses</b>				
Transfers out	<u>(244,806)</u>	<u>(244,806)</u>	<u>(243,306)</u>	<u>1,500</u>
Net change in fund balances	(108,991)	(106,291)	(46,624)	59,667
Fund balance, beginning of year, as restated	<u>344,613</u>	<u>344,613</u>	<u>344,613</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 235,622</u>	<u>\$ 238,322</u>	<u>\$ 297,989</u>	<u>\$ 59,667</u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township  
Statement of Revenue, Expenditures,  
and Changes in Fund Balance - Amended Budget and Actual  
Fire Millage Special Revenue Fund  
For the Year Ended March 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>				
Property taxes	\$ 166,000	\$ 166,000	\$ 166,283	\$ 283
Interest revenue	-	-	7,676	7,676
Total revenue	166,000	166,000	173,959	7,959
<b>Expenditures</b>				
Public safety	239,045	239,045	191,095	(47,950)
Capital outlay	5,384	5,384	8,002	2,618
Total expenditures	244,429	244,429	199,097	(45,332)
Revenue (under) expenditures	(78,429)	(78,429)	(25,138)	53,291
<b>Other financing sources</b>				
Transfers in	201,554	201,554	201,554	-
Net change in fund balance	123,125	123,125	176,416	53,291
Fund balance, beginning of year	76,492	76,492	76,492	-
<b>Fund balance, end of year</b>	<u>\$ 199,617</u>	<u>\$ 199,617</u>	<u>\$ 252,908</u>	<u>\$ 53,291</u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township  
Statement of Revenue, Expenditures,  
and Changes in Fund Balance - Amended Budget and Actual  
Public Improvement Special Revenue Fund  
For the Year Ended March 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenue</b>				
Interest and other revenue	\$ -	\$ -	\$ 4,749	\$ 4,749
<b>Expenditures</b>				
Capital outlay	103,000	103,000	153,305	50,305
Revenue (under) expenditures	(103,000)	(103,000)	(148,556)	(45,556)
<b>Other financing sources</b>				
Issuance of long-term debt	-	-	59,900	59,900
Transfers in	41,752	41,752	41,752	-
Total other financing sources (uses)	41,752	41,752	101,652	59,900
Net change in fund balance	(61,248)	(61,248)	(46,904)	14,344
Fund balance, beginning of year	132,716	132,716	132,716	-
<b>Fund balance, end of year</b>	<u>\$ 71,468</u>	<u>\$ 71,468</u>	<u>\$ 85,812</u>	<u>\$ 14,344</u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township  
Statement of Net Assets  
Enterprise Funds  
March 31, 2005**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 84,187	\$ 28,202	\$ 112,389
Investments	-	160,000	160,000
Receivables:			
User fees	11,386	3,202	14,588
Delinquent user and connection fees	4,333	1,107	5,440
Total current assets	<u>99,906</u>	<u>192,511</u>	<u>292,417</u>
Noncurrent assets:			
Restricted investments:			
Replacement account	679,244	-	679,244
Improvement account	546,598	-	546,598
Accounts receivable - connection fees	-	800	800
Capital assets, net	<u>2,441,616</u>	<u>1,864,346</u>	<u>4,305,962</u>
Total noncurrent assets	<u>3,667,458</u>	<u>1,865,146</u>	<u>5,532,604</u>
Total assets	<u>3,767,364</u>	<u>2,057,657</u>	<u>5,825,021</u>
<b>Liabilities, all current</b>			
Accounts payable	<u>45,438</u>	<u>200</u>	<u>45,638</u>
<b>Net assets</b>			
Invested in capital assets	2,441,616	1,864,346	4,305,962
Restricted for replacement and improvements	1,225,842	-	1,225,842
Unrestricted	<u>54,468</u>	<u>193,111</u>	<u>247,579</u>
<b>Total net assets</b>	<u><u>\$ 3,721,926</u></u>	<u><u>\$ 2,057,457</u></u>	<u><u>\$ 5,779,383</u></u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Statement of Revenues, Expenses and**  
**Changes in Net Assets**  
**Enterprise Funds**  
**For the Year Ended March 31, 2005**

	Sewer Fund	Water Fund	Totals
<b>Operating revenue</b>			
Connection fees	\$ 69,768	\$ 46,880	\$ 116,648
User fees	381,929	124,315	506,244
Penalties	6,289	2,565	8,854
Other	1,834	-	1,834
Total operating revenue	459,820	173,760	633,580
<b>Operating expenses</b>			
Administrative fees	12,830	8,091	20,921
Pension	1,048	-	1,048
Office expenses	2,086	20	2,106
Professional services	3,990	4,084	8,074
Insurance and bonds	7,997	1,357	9,354
Utilities	48,965	188	49,153
Water usage	-	111,433	111,433
Treatment charges	262,273	-	262,273
Maintenance	148,223	473	148,696
Depreciation	166,486	53,786	220,272
Other	628	42,668	43,296
Total operating expenses	654,526	222,100	876,626
Operating loss	(194,706)	(48,340)	(243,046)
<b>Non-operating revenue (expense)</b>			
Interest revenue	31,539	2,181	33,720
Interest expense	(22)	(26)	(48)
Total non-operating revenue	31,517	2,155	33,672
Net loss before capital contributions	(163,189)	(46,185)	(209,374)
<b>Capital contributions</b>	55,200	98,587	153,787
Change in net assets	(107,989)	52,402	(55,587)
Net assets, beginning of year, as restated	3,829,915	2,005,055	5,834,970
<b>Net assets, end of year</b>	<u>\$ 3,721,926</u>	<u>\$ 2,057,457</u>	<u>\$ 5,779,383</u>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended March 31, 2005**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 456,017	\$ 173,336	\$ 629,353
Cash payments to suppliers for goods and services	(471,083)	(168,312)	(639,395)
Net cash provided (used) by operating activities	(15,066)	5,024	(10,042)
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	(24,575)	-	(24,575)
<b>Cash flows from investing activities</b>			
Interest received on investments	31,517	2,155	33,672
Purchase of investments	(1,225,842)	(160,000)	(1,385,842)
Net cash used by investing activities	(1,194,325)	(157,845)	(1,352,170)
Net increase (decrease) in cash and cash equivalents	(1,233,966)	(152,821)	(1,386,787)
Cash and cash equivalents, beginning of year	1,318,153	181,023	1,499,176
<b>Cash and cash equivalents, end of year</b>	<b>\$ 84,187</b>	<b>\$ 28,202</b>	<b>\$ 112,389</b>

continued...

Non-cash transactions

During the year, the Township received donated sewer and water lines from contractors in the amount of \$55,200 and \$98,587, respectively. These transactions did not involve cash.

**Spring Arbor Township  
Statement of Cash Flows  
Enterprise Funds (Concluded)  
For the Year Ended March 31, 2005**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Totals</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating (loss)	\$ (194,706)	\$ (48,340)	\$ (243,046)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	166,486	53,786	220,272
Changes in assets and liabilities:			
Receivables	(3,803)	(424)	(4,227)
Accounts payable	16,957	2	16,959
<b>Net cash provided (used) by operating activities</b>	<b>\$ (15,066)</b>	<b>\$ 5,024</b>	<b>\$ (10,042)</b>

The accompanying notes are an integral part of these financial statements.

**Spring Arbor Township  
Statement of Fiduciary Net Assets  
Tax Collection Agency Fund  
March 31, 2005**

**ASSETS**

**Assets**

Cash and cash equivalents

\$ -  
                    

**LIABILITIES**

**Liabilities**

Due to other governments

\$ -  
                    

The accompanying notes are an integral part of these financial statements.



## **NOTES to the FINANCIAL STATEMENTS**

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting entity

Spring Arbor Township (the “government” or “Township”) is a municipal corporation governed by an elected supervisor and a six-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

#### B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire millage special revenue fund* accounts for the collection of property taxes and expenditures related to the extra voted fire millage.

The *public improvement special revenue fund* accounts for resources set aside by the Township Board for public improvement activities and equipment purchases.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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The government reports the following major proprietary funds:

The *sewer enterprise fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water enterprise fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the government reports the following fund type:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including capital projects or permanent funds.

*Permanent funds.* These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support specified government programs.

The *agency fund* accounts for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### C. Assets, liabilities and net assets/equity

#### 1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

#### 2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### 3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
System infrastructure	30-50
Vehicles	3-30
Equipment	5-15

#### ***4. Compensated absences***

Annually, the Township grants one week of paid vacation after six months of employment, two weeks after one year employment, three weeks after five years employment, and four weeks after ten years employment. Employees are entitled to one sick day per month, cumulative to fifteen days. Vacation and sick days cannot be carried over and, therefore, are not accrued in the accompanying financial statements.

#### ***5. Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

#### ***6. Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted at the functional level for all governmental fund types each fiscal year on a basis consistent with generally accepted accounting principles. The government's final budget must be prepared and adopted prior to April 1st of each year.

Reported budgeted amounts are as originally adopted or as amended by the Township Board. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

#### B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2005, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund:</b>			
General government - Township Hall	\$ 12,175	\$ 12,951	\$ 776
Recreation and Culture - Historical Committee	4,200	4,413	213
<b>Fire Millage Special Revenue Fund -</b>			
Capital outlay	5,384	8,002	2,618
<b>Public Improvement Special Revenue Fund</b>			
Capital outlay	103,000	153,305	50,305

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

At year end, the carrying amount of deposits for the government was \$977,491. The bank balance was \$1,044,353. Of the bank balance, \$700,143 was covered by federal depository insurance. The remaining balance of \$344,210 was uninsured and uncollateralized.

The government believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the government evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

The Township's investment balances at year end, which were all uncategorized and stated at fair value, were as follows:

	<b>Fair Value/ Carrying <u>Amount</u></b>
<b>Investments not subject to categorization:</b>	
Governmental cash management fund	<b><u>\$ 1,140,555</u></b>



# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

A reconciliation of cash and investments as shown on the Statement of Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

### Statement of Net Assets:

Cash and cash equivalents	\$ 478,091
Investments	<u>1,640,555</u>
	<b><u>\$ 2,118,646</u></b>

### Classification of Deposit and Investments:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 977,491
Governmental cash management fund	1,140,555
Cash on hand	<u>600</u>
	<b><u>\$ 2,118,646</u></b>

## B. Receivables

Receivables as of year end are as follows:

	<u>General Fund</u>	<u>Fire Millage Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Enterprise Fund</u>	<u>Water Enterprise Fund</u>	<u>Total</u>
Due from other governments	\$ 79,249	\$ -	\$ -	\$ -	\$ -	\$ 79,249
Special assessments receivable	-	-	1,980	-	-	1,980
Taxes receivable	7,398	8,659	-	-	-	16,057
User fees receivable	-	-	-	11,386	3,202	14,588
Connection fees receivable	-	-	-	-	800	800
Delinquent user and connection fees	-	-	-	4,333	1,107	5,440
	<b><u>\$ 86,647</u></b>	<b><u>\$ 8,659</u></b>	<b><u>\$ 1,980</u></b>	<b><u>\$ 15,719</u></b>	<b><u>\$ 5,109</u></b>	<b><u>\$ 118,114</u></b>

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

### C. Capital assets

Capital assets activity for the year ended March 31, 2005, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental Activities				
Capital assets not being depreciated - land	\$ 371,946	\$ 59,900	\$ -	\$ 431,846
Capital assets being depreciated				
Land improvements	218,785	42,967	-	261,752
Building and improvements	1,781,445	-	-	1,781,445
Furniture and equipment	789,867	16,135	-	806,002
Vehicles	1,172,550	-	-	1,172,550
Total capital assets being depreciated	3,962,647	59,102	-	4,021,749
Less accumulated depreciation for:				
Land improvements	77,089	3,854	-	80,943
Building and improvements	668,124	35,629	-	703,753
Furniture and equipment	324,853	46,324	-	371,177
Vehicles	303,711	53,066	-	356,777
Total accumulated depreciation	1,373,777	138,873	-	1,512,650
Total capital assets being depreciated, net	2,588,870	(79,771)	-	2,509,099
<b>Governmental activities capital assets, net</b>	<b>\$ 2,960,816</b>	<b>\$ (19,871)</b>	<b>\$ -</b>	<b>\$ 2,940,945</b>

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 39,098	\$ -	\$ -	\$ 39,098
Capital assets being depreciated:				
Sewer plant	5,701,184	55,200	-	5,756,384
Water plant	2,450,346	98,587	-	2,548,933
Equipment	257,610	24,575	-	282,185
	<u>8,409,140</u>	<u>178,362</u>	<u>-</u>	<u>8,587,502</u>
Less accumulated depreciation for:				
Sewer plant	3,402,111	145,952	-	3,548,063
Water plant	643,255	53,786	-	697,041
Equipment	55,000	20,534	-	75,534
	<u>4,100,366</u>	<u>220,272</u>	<u>-</u>	<u>4,320,638</u>
Total capital assets being depreciated, net	<u>4,308,774</u>	<u>(41,910)</u>	<u>-</u>	<u>4,266,864</u>
<b>Business-type activities capital assets, net</b>	<u><b>\$ 4,347,872</b></u>	<u><b>\$ (41,910)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 4,305,962</b></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

### Governmental activities:

Legislative	\$ 1,547
General government	47,361
Public safety	73,483
Public works	4,872
Recreation and culture	<u>11,610</u>

**Total depreciation expense - governmental activities** **\$ 138,873**

### Business-type activities:

Sewer	\$ 166,486
Water	<u>53,786</u>

**Total depreciation expense – business-type activities** **\$ 220,272**

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

### D. Payables

Accounts payable and accrued liabilities as of year end are as follows:

	<u>General Fund</u>	<u>Sewer Enterprise Fund</u>	<u>Water Enterprise Fund</u>	<u>Total</u>
Accounts payable	\$ 1,108	\$ 45,438	\$ 200	\$ 46,746
Deposits payable	500	-	-	500
	<u>\$ 1,608</u>	<u>\$ 45,438</u>	<u>\$ 200</u>	<u>\$ 47,246</u>

### E. Long-term debt

*Installment Purchase Agreement.* The government used an installment purchase agreement to provide funds in the amount of \$59,900 for the acquisition of Harmony Park. This installment purchase agreement is expected to be repaid from the Public Improvement special revenue fund. Repayment is due in six annual installments of \$5,380 (including interest), with a final balloon payment of \$41,632 in the seventh year.

Annual debt service requirements to maturity for the purchase agreement as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,996	\$ 2,384	\$ 5,380
2007	3,115	2,265	5,380
2008	3,239	2,141	5,380
2009	3,368	2,012	5,380
2010	3,502	1,878	5,380
2011	3,642	1,738	5,380
2012	40,038	1,593	41,631
<b>Total</b>	<u><b>\$ 59,900</b></u>	<u><b>\$ 14,011</b></u>	<u><b>\$ 73,911</b></u>

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended March 31, 2005 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities</b>				
Installment purchase agreement	\$ -	\$ 59,900	\$ 59,900	\$ 2,996

For the year ended March 31, 2005, interfund transfers consisted of the following:

	<b>Transfers Out General Fund</b>
<b><u>Transfers In</u></b>	
Fire Millage	\$201,554
Public Improvement	41,752
	<b><u>\$243,306</u></b>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## IV. OTHER INFORMATION

### A. Property taxes

Real and personal property taxes are recorded as revenue in the year for which they are levied, provided they are collectible during that year or within 60 days following that year's end. Property tax revenues shown in the General Fund and Fire Millage Special Revenue Fund reflect the 2004 Township levies of .8898 mills and 1.0414 mills, respectively, on the taxable valuation of property located in the Township as of the preceding December 31. Taxable values are established annually by the County and are equalized by the State at an estimated 50% of current market value or \$159,073,678. The 2004 levy became a lien on properties on December 1, 2004, and was substantially collected in early 2005. Taxes became delinquent on March 1, 2005.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### **B. Defined Contribution Pension Plan**

The Spring Arbor Township Pension Plan provides pension benefits for all Township Officials and all other employees who work at least twenty hours per week on a regular basis, and who choose to belong to the plan. This benefit is a bank trust type plan administered by a Pension Committee under the provisions of Section 401(a) of the Internal Revenue Code. Plan provisions and contribution requirements are established and may be amended by the Township Board. The plan is held and administered by John Hancock.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depends solely on the amount contributed to the participant's accounts and the returns on the investments of those contributions.

As amended effective April 1, 1986, the Township may, but is not required to, make a "discretionary contribution" for a plan year to the accounts of all eligible participants. The amount of the contribution is based upon participant compensation for the plan year.

There were 10 members in the plan at March 31, 2005. Contributions to the pension fund by the Township were \$29,085, which is 9% of covered payroll. Employee contributions totaled \$18,910.

### **C. Restatements**

Beginning fund balance of the General Fund was decreased by \$13,509 to reflect the over-accrual of State-shared revenue in the prior year.

As of and for the year ended March 31, 2005, the Township implemented the following Governmental Accounting Standards Board pronouncements:

#### **Statements**

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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### **Interpretation**

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Township is required to implement the new requirements no later than the fiscal year ending March 31, 2005.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended March 31, 2005, the following restatements were made to beginning fund balance and net asset accounts:

The Historical Committee non-expendable trust fund was reclassified as a permanent fund.

The beginning net assets of the enterprise funds were derived by aggregating the previously reported retained earnings and contributed capital of those funds.

# SPRING ARBOR TOWNSHIP, MICHIGAN

## Notes To Financial Statements

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*Government-wide financial statements.* Beginning net assets for governmental activities was determined as follows:

Fund balance of governmental funds as of 3/31/04, as restated	\$ 619,276
Add: governmental capital assets as of 3/31/04	4,334,593
Deduct: accumulated depreciation as of 3/31/04 on above governmental capital assets	<u>(1,373,777)</u>
<b>Governmental net assets, restated, as of 4/1/04</b>	<b><u>\$ 3,580,092</u></b>

\* \* \* \* \*



**COMBINING FUND FINANCIAL  
STATEMENTS**

**Spring Arbor Township  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2005**

	<u>Special Revenue Funds</u>		<u>Permanent</u>	<u>Total</u>
	<u>Street</u>	<u>Building</u>	<u>Fund</u>	<u>Nonmajor</u>
	<u>Light</u>	<u>Inspection</u>	<u>Historical</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Department</u>	<u>Committee</u>	<u>Funds</u>
<u><b>ASSETS</b></u>				
Cash and cash equivalents	\$ 16,337	\$ 47,187	\$ 654	\$ 64,178
Investments	-	-	13,226	13,226
Special assessments receivable	1,980	-	-	1,980
<hr/>				
<u><b>TOTAL ASSETS</b></u>	<u>\$ 18,317</u>	<u>\$ 47,187</u>	<u>\$ 13,880</u>	<u>\$ 79,384</u>
<hr/>				
<u><b>FUND BALANCES</b></u>				
Reserved for endowment	\$ -	\$ -	\$ 13,880	\$ 13,880
Unreserved, undesignated	18,317	47,187	-	65,504
<hr/>				
<u><b>TOTAL FUND BALANCES</b></u>	<u>\$ 18,317</u>	<u>\$ 47,187</u>	<u>\$ 13,880</u>	<u>\$ 79,384</u>
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**Spring Arbor Township**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2005**

	<u>Special Revenue Funds</u>		<u>Permanent</u>	<u>Total</u>
	<u>Street</u>	<u>Building</u>	<u>Fund</u>	<u>Nonmajor</u>
	<u>Light</u>	<u>Inspection</u>	<u>Historical</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Department</u>	<u>Committee</u>	<u>Funds</u>
<b>Revenue</b>				
Current special assessments	\$ 37,467	\$ -	\$ -	\$ 37,467
Delinquent special assessments	1,914	-	-	1,914
Permit revenue	-	80,189	-	80,189
Contributions	-	-	2,125	2,125
Interest and other revenue	-	-	156	156
Total revenue	39,381	80,189	2,281	121,851
<b>Expenditures</b>				
Public safety	-	68,267	-	68,267
Public works	38,984	-	-	38,984
Recreation and culture	-	-	671	671
Total expenditures	38,984	68,267	671	107,922
Revenue over expenditures	397	11,922	1,610	13,929
<b>Other financing sources</b>				
Issuance of long-term debt	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	397	11,922	1,610	13,929
Fund balance, beginning of year, as restated	17,920	35,265	12,270	65,455
<b>Fund balance, end of year</b>	<b>\$ 18,317</b>	<b>\$ 47,187</b>	<b>\$ 13,880</b>	<b>\$ 79,384</b>